

ST. CHARLES POLICE PENSION FUND

211 North Riverside Avenue
St. Charles, Illinois 60174

MEETING MINUTES Wednesday, December 6, 2017 11:30 a.m. – St. Charles Police Department

1. MEETING CALLED TO ORDER

President Beam called to order the Regular Meeting of the St. Charles Police Pension Board at 11:30 a.m.

2. ROLL CALL

Members Present: Timothy Beam, President; Brooks Boyce, Secretary; Dave Jannusch, Trustee; Chris Minick, Finance Director (arrived 11:34); and James Keegan, Trustee (arrived 11:37)

Members Absent: None

Others Present: Brian LaBardi, Reimer Dobrovolny & Karlson LLC; Jon Willhite, UBS; Steven Everett, Russell Investments; Graham Dorland, Russell Investments

3. APPROVE PREVIOUS MEETING MINUTES

Motion: To approve the Regular Meeting Minutes of September 6, 2017 as presented.

Maker: Jannusch

Second: Boyce

Voice Vote: 3 Ayes, 0 Nays, 2 Absent. All in favor. Motion carried.

Motion: To approve the Special Meeting Minutes of October 17, 2017 as presented.

Maker: Boyce

Second: Jannusch

Voice Vote: 3 Ayes, 0 Nays, 2 Absent. All in favor. Motion carried.

4. INVESTMENT ACTIVITIES

Willhite stated that the Board reviewed the portfolio back in October at the Special Meeting. An updated rebalancing worksheet was presented for review. Glovista and iShares Edge were terminated. Monies were transferred to the American Funds and Oppenheimer as directed at the October meeting. UBS is seeing some multiples in the equity markets. Volatility in the market place has been almost non-existent for the last 8 years. The portfolio currently has the volatility of a bond market. It is expected that the volatility will pick up over the next few years. The

portfolio does have a good allocation made up of equities, domestic and international. The Fund also has a bond portfolio. Rising interest rates may negatively affect the fixed income market.

Minick arrived at 11:34 a.m.

Thirty-five percent (35%) of the portfolio is allocated to fixed income. This market has been flat for the past 12 months. As interest rates rise, the value of the portfolio falls. This 35% is a statutory requirement for Illinois funds. The portfolio currently has a 10% allocation to real estate and Willhite recommended reducing this to 5%. Discussion was held on where to reallocate these monies to include Wells Fargo Absolute Return, which can take some of the risk off the fund. Recommended taking \$1.6M from Chilton REIT and reallocating within the current manager structure.

Keegan arrived at 11:37 a.m.

Discussion was held on possible accounts to reallocate the monies to, how much risk the Board is willing to take, the strategic allocation of the Fund being moderate-aggressive, etc. Willhite recommended distributing the reallocated monies proportionately to the Domestic Large Cap & Small Cap, International and Emerging Markets to their allocation targets. Discussion was held on possible target allocations. UBS will review target allocations, develop a plan for proportionate distribution and report back. A special meeting may be necessary, once a plan is realized, to authorize distribution of these monies.

Willhite stated that Wells Fargo is the Fund's current absolute return strategy manager. There is approximately \$750,000 in this strategy. They have been a very good manager out-pacing their benchmark. They have had some manager turnover, research turnover. This is of concern. Willhite presented some alternative managers. Blackrock and Riverfront were part of this discussion, which included 3, 5 & 10-year numbers, up market and down-market capture ratios, rolling alpha, assets, resources, volatility, taking more risk, returns, etc. It was noted that Riverfront was created in 2011.

Motion: To replace Wells Fargo Absolute with Riverfront Dynamic Equity Income.
Maker: Minick
Second: Keegan
Roll Call: Minick – Aye, Keegan – Aye, Jannusch – Aye, Boyce – Aye, Beam – Aye. 5 Ayes, 0 Nays, 0 Absent. All in favor. Motion carried.

Minick presented the Rebalancing Worksheet dated October 16, 2017, which shows the changes as directed from the Board at the last meeting.

Motion: To ratify the Rebalancing Worksheet from October 16, 2017 as presented.
Maker: Minick
Second: Keegan
Roll Call: Minick – Aye, Keegan – Aye, Jannusch – Aye, Boyce – Aye, Beam – Aye. 5 Ayes, 0 Nays, 0 Absent. All in favor. Motion carried.

Due to conflicting schedules, the Board will be going out of order on the agenda.

10. NEW BUSINESS

2018 Meeting Dates – After a brief discussion, the time of the meetings in 2018 will remain the same at 11:30 a.m. The following are the proposed 2018 Meeting Dates: March 7, 2018; June 6, 2018; September 5, 2018 and December 5, 2018.

Motion: To ratify the 2018 Meeting Dates as presented.
Maker: Minick
Second: Boyce
Voice Vote: 5 Ayes, 0 Nays, 0 Absent. All in favor. Motion carried.

Willhite left meeting at 12 noon.

5. OLD BUSINESS

None.

6. PRESENTATION AND APPROVAL OF BILLS FOR PAYMENT

Motion: To approve Addendum A in the amount of \$82,112.40 as presented.
Maker: Minick
Second: Keegan
Roll Call: Keegan – Aye, Minick – Aye, Boyce – Aye, Jannusch – Aye, Beam – Aye. 5 Ayes 0 Nays 0 Absent. All in favor. Motion carried.

Minick presented the audit/annual financial report for the St. Charles Police Pension Fund, which included the financial statements in accordance with auditing standards for FY ending April 30, 2017. The communication associated with the audit indicated there were no issues or problems in completing the audit.

Motion: To accept the financial reports from the auditors for FY ending April 30, 2017 as presented.
Maker: Minick
Second: Keegan
Roll Call: Minick – Aye, Keegan – Aye, Jannusch – Aye, Boyce – Aye, Beam – Aye. 5 Ayes, 0 Nays, 0 Absent. All in favor. Motion carried.

7. APPLICATIONS FOR MEMBERSHIP

None

8. APPLICATIONS FOR BENEFITS

None

9. ATTORNEY'S REPORT

LaBardi distributed the current newsletter. The most significant case in the newsletter is a new law known as the "Double Dipping" law. This law takes away the IMRF option for Chiefs of Police after January 1, 2019 unless there is prior IMRF service. This law requires municipalities to develop 401K style plans for police officers. The officers eligible would be any officer coming from another fund with at least 10 years of creditable service and would be given the option of participating in the 401K style plan or the Article 3 plan. If the officer elects the 401K style plan, no contributions would be directed to the Article 3 plan, they will not accrue creditable service, they will not be eligible for a retirement or disability benefit from the Article 3 fund, etc. There is, however, an option for the officer to change their mind and enter the Article 3 fund. Their 401K would be invested immediately, and they would start accruing creditable service as of the day they make the election.

There are also provisions for re-entry into service. The law states that anyone who is collecting a pension and re-enters service, cannot participate in the Article 3 plan, they must elect the 401K style plan. They would still be able to collect their pension. Currently this is for police officers only but there is the potential to expand to firefighters. The law is not clear as to anyone entering service of 01/01/2019 or if it applies to anyone making this election after 01/01/2019. It uses language that doesn't appear anywhere else in the Pension Code.

10. NEW BUSINESS

2018 COLA's – 2018 COLA's were presented for review.

Motion: To approve the 2018 COLA's as presented.

Maker: Boyce

Second: Minick

Roll Call: Minick – Aye, Keegan – Aye, Jannusch – Aye, Boyce – Aye, Beam – Aye. 5 Ayes, 0 Nays, 0 Absent. All in favor. Motion carried.

Verification Letters for Retirees – Beam noted that the annual verification letters for retirees are being sent out now.

2018 Elections – Beam noted that there is one (1) active position and one (1) retiree position are open. Beam further noted that the March 2018 meeting will be his last meeting on the Board. Nominating letters will be going out with pay stubs.

Presentation – Russell Investments – Steve Everett and Graham Dorland from Russell Investments gave a presentation on what their firm offers as a consultant to pension funds. The

next required RFP for consultant will be in 2019. This presentation included a history of the firm and what the firm can offer the fund, investment strategies, risk management, etc.

11. PUBLIC COMMENTS

None.

12. ADJOURNMENT

There being no further business to discuss, motion to adjourn by Trustee Minick. Seconded by Secretary Boyce.

Motion: To adjourn the meeting at 12:50 p.m.

Maker: Minick

Second: Boyce

Voice Vote: 5 Ayes, 0 Nays, 0 Absent. All in favor. Motion carried.

The meeting was adjourned at 12:50 p.m. The next regular meeting is scheduled for March 7, 2018 beginning at 11:30 a.m.

Respectfully submitted,

President

Secretary